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November 30, 1982

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The Honorable Dianne Feinstein
Mayor of San Francisco
Room 200 City Hall
San Francisco, California 94102

The Honorable Board of Supervisors
Room 235 City Hall
San Francisco, California 94102

Subject: Moscone Convention Center: First Year Anniversary

Dear Mayor Feinstein and Members of the Board of Supervisors:

On Thursday, December 2, Moscone Convention Center will have completed its first year of operation. I therefore felt it would be appropriate to summarize the key results for you. Categories in this summary include: Convention Center use, revenues and jobs generated; rental and expected deficit; final cost of construction, construction changes, and construction claims; functional evaluation of the Convention Center.

Convention Center Use and Revenues and Jobs Generated

The Convention Center has gotten off to a fine start and has been extremely well received by its users. For the period December 1, 1981 through November 30, 1982, 319 calendar days were sold, or 87% of the time available. This compares to our original projection prior to opening of 225 calendar days of occupancy and occurs in spite of the deep recession in the tourist and convention industry. A booking of 75% is considered high by industry standards.



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Some 415,000 delegates have used the Convention Center, spending an estimated \$306.7 million and generating approximately \$9.7 million in hotel tax revenue and \$1.5 million in city sales tax revenue. At the same time more than 200,000 people attended local events. Additionally, during this period revenues at Brooks Hall and Civic Auditorium increased 10% indicating that the business done at the new Center did not occur at the expense of the older facilities.

More importantly, at a time of increasing unemployment, especially among San Francisco's minority groups as well as those with English language difficulties, the business generated by the Convention Center created 4,000 jobs, which for the most part were filled by members of the minority communities. It is also anticipated that over the next five years several new hotels will be constructed to meet the demand created by the Center; these hotels will, in turn, generate an additional 4,000 jobs.

Rental Policy and Expected Deficit

In order to be extremely competitive and to attract conventions to a new and as yet untried facility, we have been offering the Convention Center at a low rent. At the same time, our costs, primarily for personnel and utilities, are high. This results in an expected deficit which for the first twelve months was approximately \$2.6 million. The rent we are asking is below that of most western cities. Only Las Vegas and Reno are lower than ours. Once the Convention Center becomes firmly established, we should be able to increase substantially the rent we charge. The goal of my office is to bring the Convention Center to a break-even by 1985/86 at the latest. A summary of the Convention Center's revenues and

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expenses for the first twelve months is as follows:

Revenues:

Rent-----	\$1,211,000
Concessions and Miscellaneous---	<u>599,000</u>
Total Revenues-----	\$1,810,000

Expenses:

Personnel-----	\$2,332,000
Utilities-----	994,000
Insurance and Miscellaneous-----	952,000
Management Fee-----	<u>161,000</u>
Total Expenses-----	\$4,439,000

Expected Deficit-----(\$2,629,000)*

*Met from hotel tax revenues

Cost of Construction

Our initial estimate of the cost of construction of this incredibly complicated and massive facility was \$120.5 million and was made for the Official Bond Statement in March, 1979. The estimated final cost is \$128.3 million, an increase of 6.4% over our initial estimate. During the same period, inflation in the Bay Area rose 39%.

Construction Changes

During the past twelve months the Convention Center went through a routine new building shake-down. This resulted in construction changes costing \$1.3 million, most of which are described below. Additionally, we worked through a lengthy "punch list" of contractor omissions and errors and spent \$.7 million on architects, engineers and construction managers to monitor this work and to



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Construction Changes (Continued)

finish the construction. Both of these dollar amounts are included in the \$128.3 million construction cost. Further, I am advised that this is a relatively small amount of money for corrections and changes in a major building with an unorthodox underground design which was mandated by the voters.

Once we started to operate the building, we found that it was necessary to make some changes. They were:

• Exhibit Hall Lights

The areas under the arches were dark. Lights were installed under the arches at a cost of \$146,000.

• Ballroom Smoke Removal

During the design stage, the Fire Department and the Bureau of Building Inspection felt that standard equipment would be adequate. Once we opened, they realized the value of requiring more extensive equipment for greater safety. Installation cost was \$127,000.

• Exhibit Hall Floor Utility Outlets

On the main exhibit room floor there are several hundred utility outlets containing electricity, air, water and telephone lines and drains available for connecting to exhibit booths. It is standard to have these utility boxes on 30 foot centers and they were designed to meet this criteria. When the steel cables which tie the legs of the arches together were installed we found that in some instances, these cables interfered with the proper placement of the boxes. We are now making corrections at a cost of \$100,000. We have not yet assessed whether this is an architect,

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- Exhibit Hall Floor Utility Outlets (Continued)

engineer or contractor responsibility, but plan to pass along this cost when an assessment has been made.

- Reduction of Hot Water Temperature

Hot water at a temperature of 140 degrees is needed for the kitchen; the restrooms require only 110 degrees. Due to a design oversight, 140 degrees was provided in the restrooms. This has been rectified along with the addition of energy saving devices at a cost of \$70,000. It is expected that our mechanical engineers will pay for the work necessary to correct the oversight.

- Sealing of Lobby and Exhibit Hall Floors

It is important to maintain the cleanliness of our major floor areas. Some facilities apply a sealer to their floors; others do not because they consider it an unneeded expense. FMI has requested authorization to seal in order to avoid discoloration, and I have approved. The cost is \$275,000.

- Exhibit Hall Wiring

Because the people voted to build the Convention Center underground in an area having a great deal of water, water seepage will be present throughout the life of the facility. This seepage is contained by waterproofing. We initially had a seepage problem. The waterproofing contractor has undertaken to correct this, at his expense, and the problem appears to be resolved. However, both our electrical consultant and the Bureau of Building Inspection advised us, as an additional safety measure, that

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- Exhibit Hall Wiring (Continued)

all exhibit hall floor wiring should be encased in conduit and have an additional ground. This is now being done at a cost of \$250,000. This cost is being charged to the contractor.

- Miscellaneous Changes

- All of the Convention Center's functions may be controlled by a computer and for safety we added a second, back-up computer, at a cost of \$100,000. Both will be fully operational shortly.
- Because our very attractive chairs were being stolen, we have built storage rooms at a cost of \$50,000.
- In order to screen out the glare of the low winter sun in the lobby, we added trees on the roof behind the lobby at a cost of \$67,000.
- We provided offices for the caterer and an office for the visiting convention association executives (a sales tool) at a cost of \$75,000.

- Possible Changes Now Under Study

We are continuing to study a number of possible changes relating to the most efficient functioning of the meeting rooms. These include adding dimmers to the lighting systems; setting up easier amplification for the sound systems; changing the location of the electrical storage panels; and changing the location of the wall telephones used in the meeting rooms. We are working to improve the efficiency of our drainage system and flow measuring devices. Some corrections appear to be needed in order to overcome problems that could be created by unusually heavy storms. We are also monitoring the planting and soil erosion on the external slopes

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- Possible Changes Now Under Study (Continued)

which initially became damaged during last winter's severe storms. Problems associated with the original hasty installation of the carpeting have been resolved; however, the carpeting, though a highly durable material, is light in color and soils easily. Improved methods of maintenance are being worked on.

Construction Claims

We have paid all of our construction bills promptly and in full, for items covered in the construction contracts. However, claims have been made and we have been sued for additional items. We have not paid these claims as we do not feel they are legitimate. We expect to go through litigation and we feel that we are well prepared to handle it. These types of claims are not at all unusual in major public construction projects.

The claims total approximately \$13.2 million and are as follows:

Perini Pope Co,	Structural Work	\$7.2 million
E. C. Braun Co.	Mechanical Work	\$2.1 million
Rosendin Electric Co.	Electrical Work	\$2.2 million
Piombo Construction Co.	Excavation	\$.8 million
Malcolm Drilling Co.	Dewatering	\$.9 million

Functional Evaluation

The Convention Center appears to work beautifully, and the users like it. Their comments about the ease of functioning have been lauditory. They find it airy, spacious, comfortable, and easy to use. Many of the users have already re-booked future dates as a consequence.

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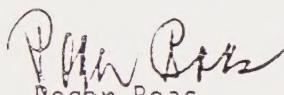
Functional Evaluation (Continued)

The only complaint, which comes from the larger users (9,000 delegates or more) is that the Convention Center does not have enough meeting rooms. This complaint does not surprise us, as we recognized that the meeting room capacity would be severely limited when we designed an underground building. Whether or not additional meeting rooms should be built on the roof is a matter for future discussion and decision.

Summary

Overall, the Convention Center appears to be a success. It was finished virtually on time; the cost was within 6.4% of that projected which is well within the range of expectancy in construction of large and complex buildings; we have booked 87% of the available time as opposed to 75% which is considered high by industry standards; we have created 4,000 jobs in a time of deep national recession; and we have laid a strong foundation for the Center's future contributions to City revenues and employment.

Very truly yours,


Roger Boas
Chief Administrative Officer

RB/smr

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